

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

ANNUAL REPORT

1961

NORTHERN OHIO TELEPHONE COMPANY
YEAR ENDED DECEMBER 31, 1961



Port Clinton, Ohio, District Headquarters Building, containing commercial offices, new automatic local exchange and direct distance dialing equipment, dedicated to the service of Ottawa County on March 18, 1962.

ANNUAL REPORT

1961

NORTHERN OHIO TELEPHONE COMPANY

117 North Sandusky Street

Bellevue, Ohio

Area Code 419

Telephone 482-7201

CONTENTS:

Report of President

Earnings Statement

Balance Sheet Statement

Certification by

Ernst and Ernst

The Annual Meeting of Stockholders
will be held at 2:00 P.M. on May 15, 1962
at the offices of the Company
117 North Sandusky Street
Bellevue, Ohio

Formal Notice will be mailed to
All Common Stockholders on April 28, 1962
and proxies will be requested.

NORTHERN OHIO TELEPHONE COMPANY

117 North Sandusky Street, Bellevue, Ohio

DIRECTORS

***ALLAN G. AIGLER**

Aigler and Aigler, Attorneys
Bellevue

JOHN A. AIGLER

General Commercial
Superintendent of the Company
Bellevue

THOMAS A. BOYD

Executive Vice President-Finance
General Telephone & Electronics
Corporation
New York

CHARLES H. CAMPBELL

Agent
The Equitable Life Assurance
Society
Ashland

ROBERT T. CAMPBELL

Senior Project Engineer
The North Electric Manufacturing
Co.
Galion

***HERBERT A. ERF**

The H. A. Erf Acoustical Company
Shaker Heights

FRANK C. HENRY

Bosworth, Sessions, Herrstrom and
Knowles, Patent Attorneys
Cleveland

***WM. C. HENRY**

President and
General Manager of the Company
Norwalk

IRA L. PORTER

Retired
Oberlin

HERMANN H. THORNTON

16306 Edgecliff Drive
Cleveland 11, Ohio

***FRED W. UHLMAN**

President
F. W. Uhlman and Company
Bowling Green

FRED G. WILLIAMSON

General Plant Superintendent
of the Company
Bellevue

***JOHN E. WISE**

President
The Citizens National Bank of
Norwalk
Norwalk

*Executive Committee

OFFICERS

ALLAN G. AIGLER

Chairman of the board

JOHN E. WISE

Vice President

WM. C. HENRY

President and General Manager

WILLIAM H. TODD

Secretary and Treasurer

JOHN A. AIGLER

Assistant Secretary and Treasurer

To Our Stockholders:

March 3, 1962

Nineteen hundred and sixty one was another year of steady progress for the Northern Ohio Telephone Company. The number of telephones served, volume of long distance calls completed, and total gross revenues received, all reached new levels. Substantial additions and betterments were made to our telephone plant, and the quality of the many communication services furnished to our subscribers was further improved.

Our Company serves a section in the northern part of the State of Ohio composed of smaller cities and towns surrounded by fertile and prosperous farms. An increasing number of stable industries continue to locate in our operating territory. That part of Ohio, in general lying northeast of a line extending diagonally from Toledo to Youngstown, is fast becoming a busy industrial section. A steady increase in population and in employment opportunities is stimulating a heavy program of residence and commercial construction.

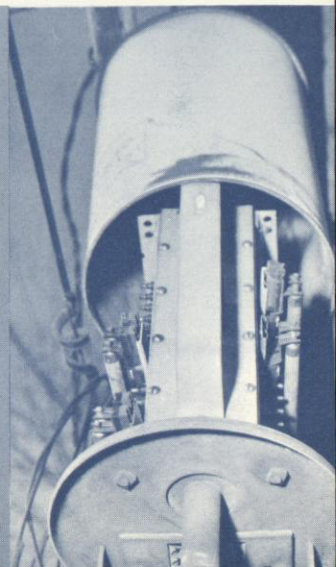
In this economic climate our Company is affected to a much lesser degree by wide fluctuations in business than are metropolitan areas. Although the restrained tempo of business generally during the first half of the past year slowed our rate of growth, our earnings were satisfactory and were almost equal to the record earnings for the year 1960.

TELEPHONES AND LONG DISTANCE CALLS

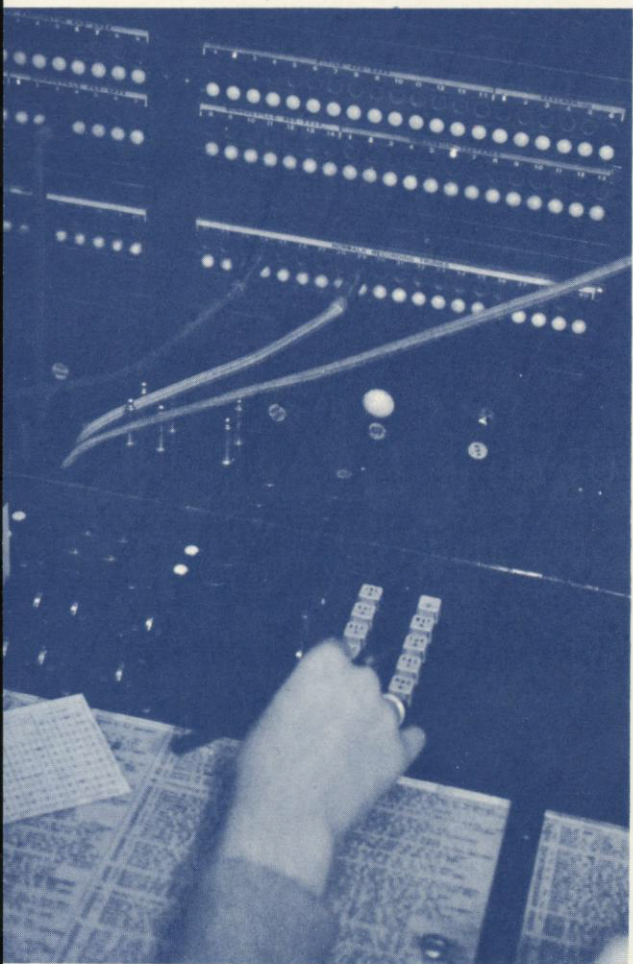
The total number of telephones added for the year was 6,563, or just over five and one-half per cent. This included 2,619 stations acquired through purchase of the Wellington and Olena exchanges and 3,944 stations gained through internal growth. Although the internal gain in telephones for the entire year was approximately eighty per cent of the previous year, new telephones added in the last quarter of 1961 exceeded the number gained in the corresponding quarter of 1960.

Total telephones in service at year end were 125,214. Upgrading from party line to individual line service continued, with a ten per cent increase in the higher grade of service. Rural subscribers served increased by more than three per cent and now number 30,906. Homes with more than one telephone recorded the largest increase, with 1,822 extensions added, largely through employee sales effort.

Protected
terminal
used on
aerial
cable



Our subscribers completed nine million, seven hundred thousand toll calls during the past twelve months. This was a gain of two and seven-tenths per cent over the number of toll calls originated in 1960. Direct distance dialing of toll calls is available to 45.3 per cent of our subscribers. In exchanges equipped for DDD 67 per cent of the originated dialable toll calls were dialed by the subscribers.



A Key Sender in place of dial on long distance switchboard.

REVENUES RECEIVED

Total Operating Revenues for 1961 amounted to \$12,148,446.12, an increase of \$706,851.60, or 6.2 per cent. Fifty four and one-half per cent of our revenue is derived from subscribers' monthly local exchange rates; thirty seven per cent is from long distance service; three per cent from private line service; four and one-half per cent from directory advertising and sales; with the remaining amount from pay station and rent revenue. Private line service revenues increased by 141 per cent, due in large part to the special switching equipment and the large number of local and interexchange channels furnished for the F.A.A.'s Air Route Traffic Control Center located at Oberlin.

Other Income totalled \$43,238.56 in 1961, which was an increase of \$29,721.51.

A deduction from revenues was made in the amount of \$50,000, which was added to the reserve for uncollectibles.

Annual revenue per average telephone in service was \$99.65, divided \$54.13 from exchange service, \$37.14 from toll and \$8.38 from all other services.

EXPENSES PAID

The cost of Repairs and Maintenance to telephone plant, central office equipment, station equipment and buildings for the past year was \$1,320,675.59, an increase of \$4,445.00, or less than one per cent. We were fortunate in experiencing less than the normal amount of expense due to storm damage over the past year, which permitted our plant

forces to devote a larger part of their time to construction of new facilities.

Traffic Expenses, including chiefly operators' wages, with minor amounts for General Traffic Supervision and House Service Expense, amounted to \$1,529,475.74, up \$115,396.19, or 8.2 per cent. More than two-thirds of the total increase was occasioned by higher operator wage levels, and the remaining portion was due to wages paid switchboard operators at the Wellington exchange during the last half of 1961.

Commercial Expenses which, in addition to local office commercial personnel, include general commercial administration, advertising, directory expense and commission on public telephones, amounted to \$646,081.28, which was an increase of \$25,569.88, or 4.1 per cent. The increase was due almost entirely to higher wage levels for commercial personnel.

General Office Expense includes the cost of the executive, accounting and law departments, which amounted to \$378,270.07. The increase of \$25,142.63, or 7.1 per cent, was due to wage increases in the accounting section and a larger amount for legal work.

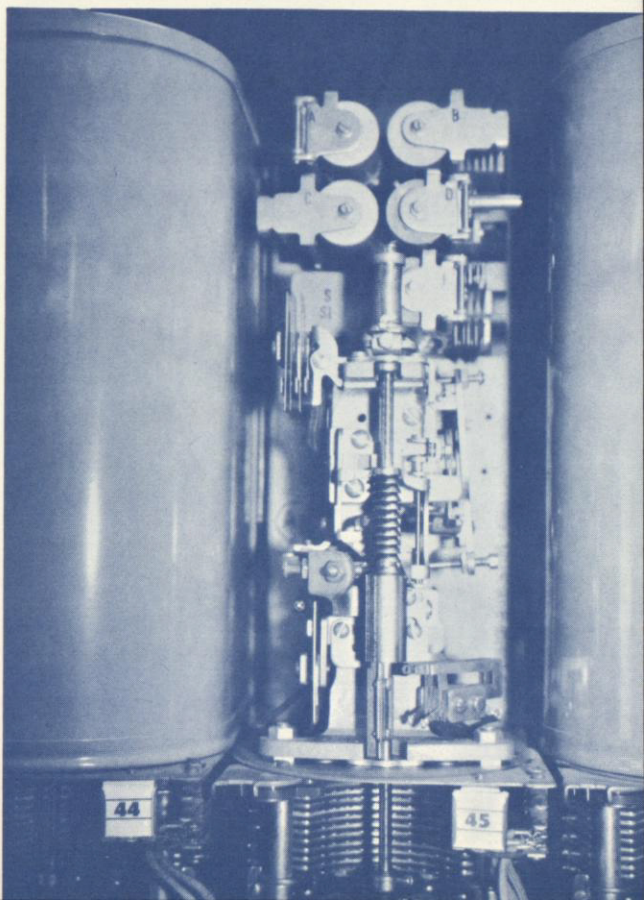
Included in Other Operating Expense are insurance, operating rent, relief and pensions, and miscellaneous other operating expense. These items amounted to \$258,595.24, which was \$5,630.72, or 2.2 per cent more than in 1960.

Total Expense for all operating departments of the Company in 1961 was \$4,133,097.92. The increase over 1960 was \$176,184.42, or 4.5 per cent.

REQUIREMENTS FOR DEPRECIATION AND TAXES

The provision for depreciation or the annual decrease in the useful service life of our telephone property and plant for the past year was \$1,687,471.39, which amounts to 4.18 per cent of our depreciable book plant value. The increase of \$161,176.60 over the amount set aside for depreciation in 1960 was due to the substantial net additions made, including property purchased, which provided a higher total plant value subject to depreciation. At year end the total amount in the Reserve for Depreciation was \$6,626,752.44.

Automatic Exchange Switch.



Taxes paid are the largest item of Company expense, and wages paid employees are a close second. The total paid or set aside for all operating taxes for the past year was \$3,574,429.06, an increase of \$327,012.55, or 10.1 per cent. Substantial increases in State and County Taxes and in Federal Income Tax on a larger net Operating Revenue were major factors in the large over-all increase in our bills for the seven different taxes we pay.

The breakdown of our year's taxes for 1961 was \$2,392,458.82 for Federal Corporate Income Tax, \$735,000 for Property Taxes, \$303,398.52 in State Excise Tax, \$95,072.39 for Federal Insurance Contribution Act (Social Security), \$39,578.-33, Ohio Unemployment Insurance, and \$8,921 for P.U.C.O. and State Sales Tax. Total taxes of \$3,574,429.06 is more than one and one-half times the amount of net income available to shareholders and for surplus. There is included in the rates paid by our subscribers for telephone service \$2.44 per month for taxes paid by the Company, or \$29.28 for each telephone for 1961.

Federal Excise Taxes on local exchange and toll service, which we are required to collect from our subscribers over the past year and remit to the Federal Government, amounted to \$1,135,393.60, and is in addition to the \$3,574,429.06 in Company paid taxes.

NET INCOME

Other Income added to Operating Revenue was \$43,238.56 derived from Interest and Dividend Income to the Company.



Splicing underground cable.

Net Income for 1961 available for fixed charges was \$2,796,686.31, which was \$72,199.54 more than for the previous twelve months.

Fixed Charges include Interest paid on our outstanding Bonds or Funded Debt, Other Interest Deductions, and the annual amortization of the Discount on Funded Debt. These three items amounted to \$592,205.19 for 1961. The increase of \$81,849.84 was due to interest paid on bank borrowings prior to the sale of additional bonds, and interest on these bonds subsequent to their issuance.

Net Income available for Dividends and Retained Earnings was \$2,204,481.12, which was \$9,650.30, or one-half of one per cent under the record net income for the year 1960. Preferred Dividend requirements were \$345,415.92, and were earned more than six times over. This is the sixty-first year in which this Company and its predecessor, The Local Telephone Company, have paid uninterrupted dividends in full amount on its preferred stock.

Net Income to common stock was \$1,859,065.20 or \$2.80 per share for 1961, and including the additional shares of common stock issued in August of 1961 as a one for four stock split-up or 25 per cent stock dividend. Net Income to common stock in 1960, equated for the additional stock issued in 1961, was \$2.83 per share. After the payment of \$1.60 per share on common stock, there was added to Surplus as Retained Earnings an amount of \$798,710.37. The total amount in Surplus at the year end was \$7,852,504.59, which is 118 per cent of the par value of the outstanding shares of common capital stock.

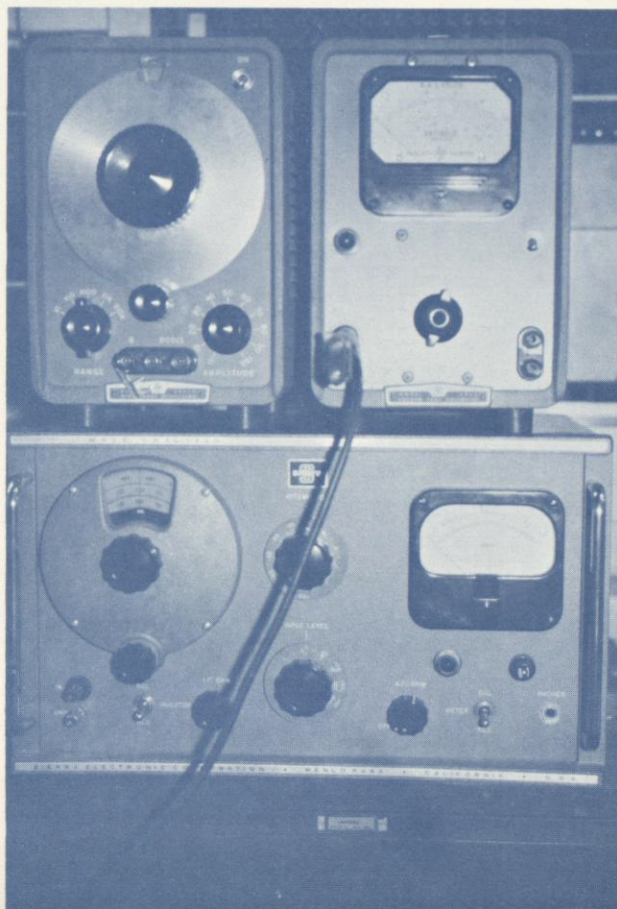
ADDITIONS TO PLANT

On June 19, 1961 the telephone property and plant of The Wellington Telephone Company, with a single manual exchange serving 2,492 telephones, was acquired through an exchange of stock. The area served by the Wellington exchange adjoins our Oberlin toll center. Plans are in process for the installation of automatic service at Wellington and its toll centering at Oberlin to provide subscriber Direct Distance Dialing of

their long distance calls. The Olena Mutual Telephone Company, serving 127 telephones in the rural area south of Norwalk, was purchased on November 17th, and its lines are being rebuilt preparatory to the extension of direct service from the Norwalk exchange.

A new exchange with 286 telephones was established February 5th, 1961 at Rathbone in the southern part of Delaware County. Subscribers of the Townsend manual exchange were connected directly to the Norwalk exchange with dial service as of June 21. Direct Distance Dialing of their toll calls was made available on July 30 to the 6,667 subscribers served by our Oberlin, Grafton, North Eaton and Wakeman exchanges.

Testing equipment.



New automatic equipment was placed in service at Lodi, and DDD toll service was extended to Lodi, Burbank and Homer-ville subscribers on November 5. The magneto exchange at Van Buren was converted to dial with EAS to Findlay on December 16, 1961.

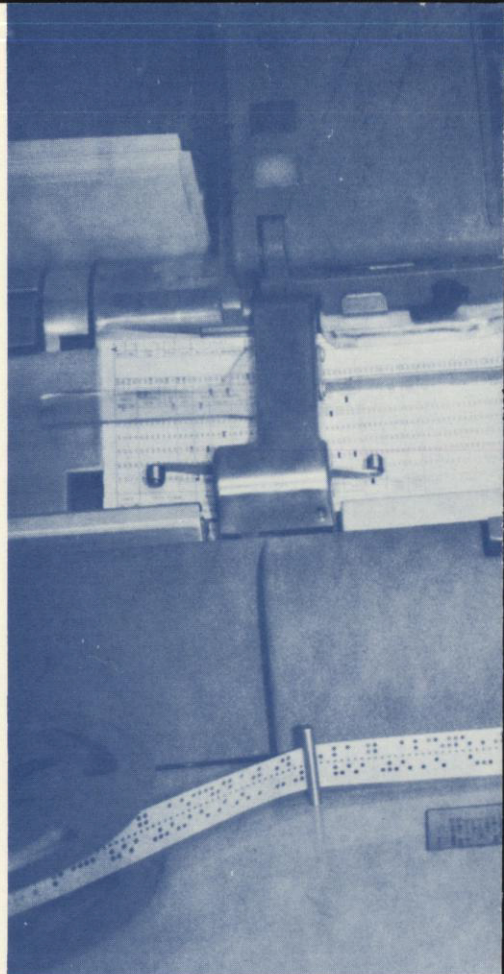
Gross plant additions amounting to \$4,334,735.27 were made over the past twelve months, and plant with a book value of \$958,196.22 was retired. The net addition to the plant for the year was \$3,376,539.05. As of December 31, 1961 the total value of our telephone property and plant at cost was \$43,559,190.42. This is \$357.09 for each telephone in service, an increase of \$25.08 in plant value per telephone over the previous year.

Out of a total of 69 separate telephone exchanges, 66 exchanges provide 97.3 per cent of our subscribers with the most modern type of automatic telephone service. Two exchanges serving 2.6 per cent of our telephones have common battery service, and one exchange with one-tenth of one per cent of our stations has magneto service.

CAPITAL CHANGES

5,695 shares of common stock were issued to stockholders of The Wellington Telephone Company in exchange for the common shares of that Company.

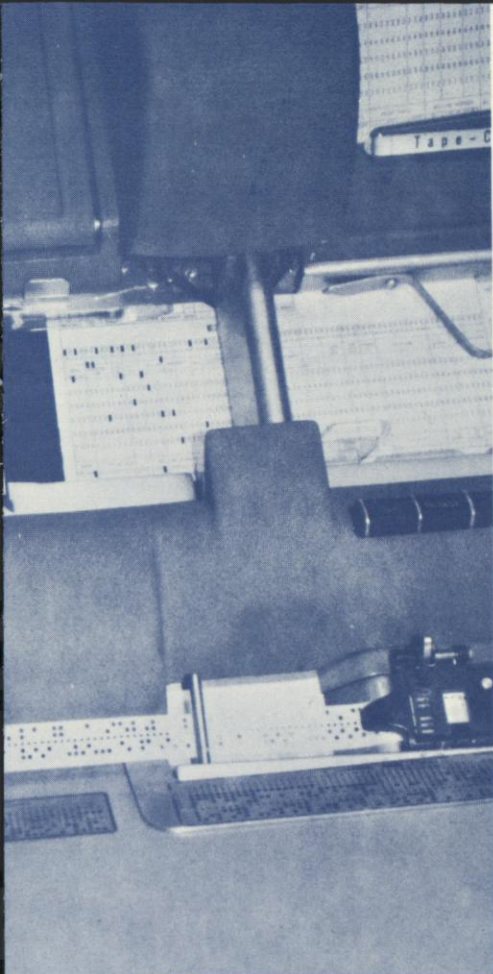
A common stock split-up in the form of a 25 per cent stock dividend was made to stockholders of record August 8, 1961. The issue of one additional share of common stock for each four shares owned, with cash in lieu of fractional shares, added 132,372 shares to the outstanding common capital stock.



DDD Tape to car
toll calls.

4,013 shares of 5 per cent preferred stock were issued, 1,831 shares in exchange for an equal number of preferred shares of Wellington, and 2,182 additional shares were sold at its par value of \$100.00 per share to stockholders desiring to increase their investment in the Company.

An issue of 4 $\frac{7}{8}$ % Thirty-Year First Mortgage Bonds, dated September 1, 1961, in the principal amount of \$3,500,000, were sold at private sale at 99 $\frac{1}{2}$. Total Funded Debt at year end was \$15,652,000, or just over 41 per cent of our capital structure.



Machine for billing

PERSONNEL

Mr. Charles A. Henry, General Traffic Superintendent of the Company and a Director, was taken from us by an accident last September 9th. The Board elected Frank C. Henry, Attorney of Shaker Heights, to the vacancy.

At year end this Company provided employment to 281 men and 602 women, an increase of 45 employees during the year. Total wages paid, excluding compensation to corporate officers, was \$3,293,178.19, an increase of \$322,462.65, or 10.9 per cent.

Management is sincerely appreciative of the contributions in personal service made to the success of the Company by our splendid group of employees.

THE YEAR AHEAD

The conversion of our three remaining manual exchanges to dial service and the extension of DDD toll service to additional subscribers will be aggressively advanced, together with a continuing program of extending and improving our property and our service.

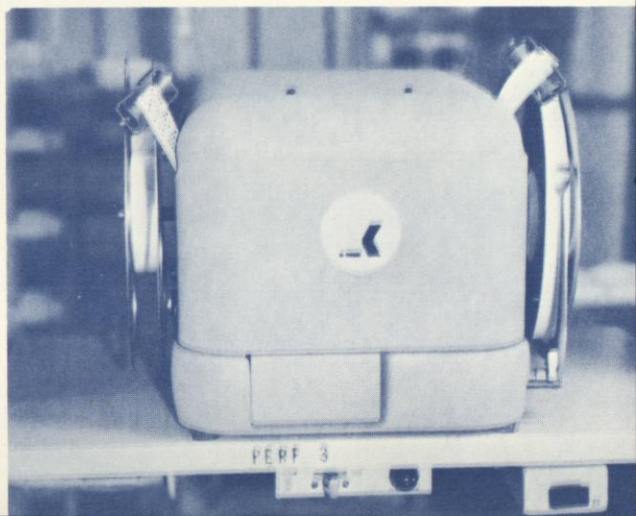
Your Management recognizes that the interests of our subscribers, our employees and our stockholders must always be maintained in proper proportion.

The outlook for the national economy appears favorable for 1962. An improved level of business should provide greater opportunities for our many over-all communications services. We expect 1962 to be another good year for this Company.

Respectfully yours,

W. C. Henry
President

Perforator recording details of toll calls dialed by the subscriber.





They never leave home

The 2,300 students at Ohio's historic Oberlin College come from 50 states and some 40 foreign lands. But they're only a "dial" away from their families—thanks to an *Independent* telephone company.

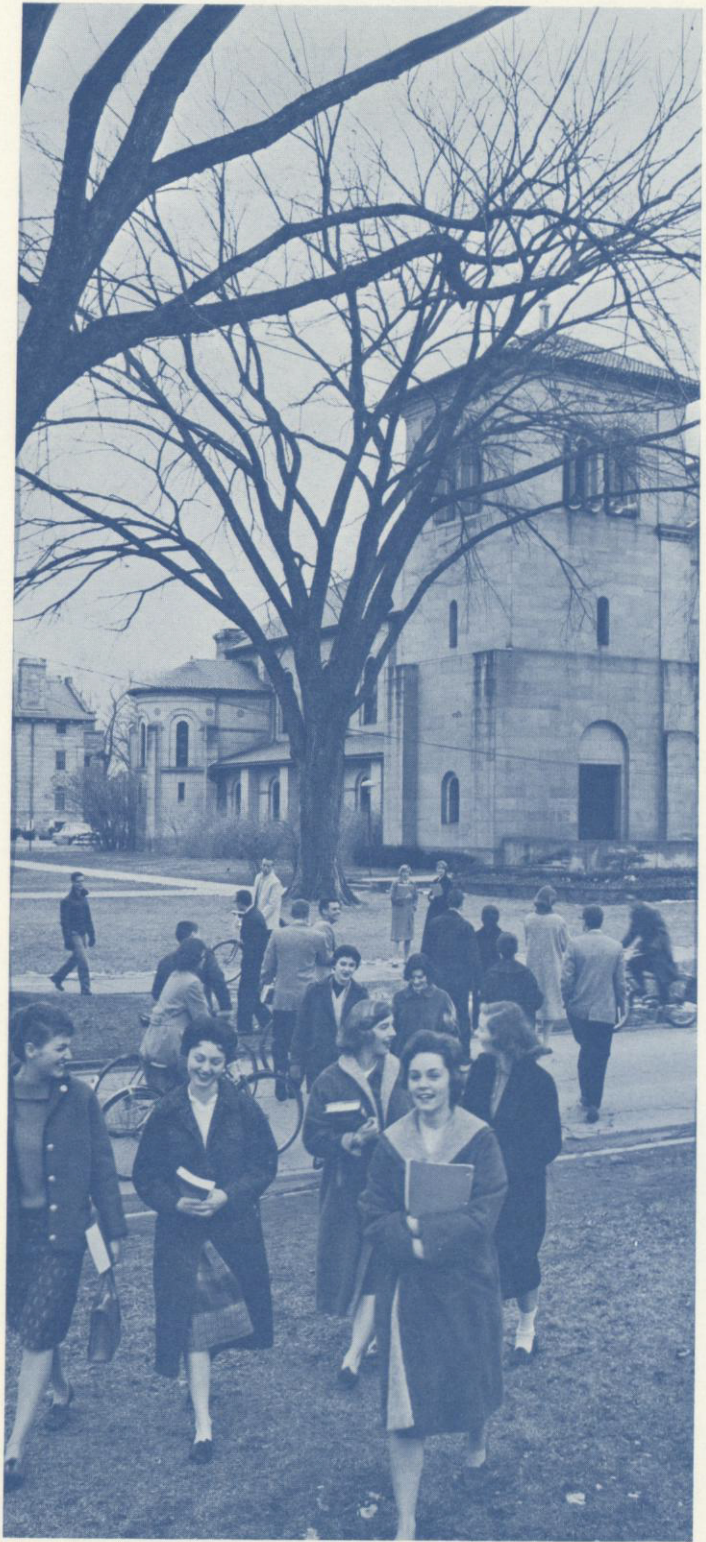
For 128 years, Oberlin College has been setting precedents. It was the first coeducational institution, awarded the first BA degrees to women, adopted the first anti-discrimination policy in admitting students. Mock political conventions, the Anti-Saloon League, and the Underground Railroad are part of its history.

This for... the town. Wit... by the ind...

(Copy from a national advertisement of the United States Independent Telephone Association that appeared in the Saturday Evening Post featuring our Oberlin, Ohio, Exchange.)

You'll find this story... with repe... by forward-looking Independents everywhere. With 111,000,000 telephones in service from the Florida Keys to Ketchikan, they're adding another \$1,000,000 daily to their nearly \$4,000,000,000 investment... to help you reach all America.

This is a vital, vigorous industry. It's one you should know more about, and the facts are contained in "An American Story." For your free copy, write: Dept. 01, U. S. Independent Telephone Association, Pennsylvania Bldg., Washington 4, D.C.



Oberlin's world-wide student body benefits from a \$37,368,000 endowment, to which significant contributions were made by graduate Charles Martin Hall, inventor of the modern method for manufacturing aluminum.

INDEPENDENT TELEPHONE COMPANIES ARE INVESTING IN YOUR FUTURE—THROUGH BETTER COMMUNICATIONS

Accountants' Report

ERNST & ERNST

UNION COMMERCE BUILDING
CLEVELAND 14, OHIO

Board of Directors
Northern Ohio Telephone Company
Bellevue, Ohio

We have examined the balance sheet of Northern Ohio Telephone Company as of December 31, 1961, and the related statements of income, other capital, and retained income for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income, other capital, and retained income present fairly the financial position of Northern Ohio Telephone Company at December 31, 1961, and the results of its operations for the year then ended, in conformity with accounting principles as prescribed by The Public Utilities Commission of Ohio applied on a basis consistent with that of the preceding year.

Ernst & Ernst

Cleveland, Ohio
February 28, 1962

Assets

	Dec. 31, 1961	Dec. 31, 1960
PLANT AND OTHER INVESTMENTS		
Telephone plant in service—Note A.....	\$43,559,190.42	\$39,393,487.43
Comprises land, buildings, right-of-way, poles, wire, cable, underground conduit, switchboards, telephones, office furniture, vehicles, motor equipment, and tools		
Telephone plant under construction—at cost.....	896,527.91	588,825.52
Other investments	—0—	18,937.45
Stock owned in another telephone company		
	<u>\$44,455,718.33</u>	<u>\$40,001,250.40</u>
CURRENT ASSETS		
Cash	\$ 752,265.26	\$ 745,896.64
Special cash deposits and working funds.....	53,938.90	47,442.24
United States Government securities—at cost and ac- crued interest (approximate market)	1,188,985.67	—0—
Notes and land contract receivable.....	28,456.09	37,299.53
Accounts receivable (including estimated unbilled: 1961—\$294,342.39; 1960—\$307,199.30)	1,416,260.47	1,340,783.08
Amounts due for service, toll settlements, and miscellaneous items, less reserve for uncollectible accounts: 1961—\$5,972.35; 1960—\$5,487.81		
Materials and supplies	649,296.60	735,640.38
Principally for construction and maintenance		
	<u>\$ 4,089,202.99</u>	<u>\$ 2,907,061.87</u>
DEFERRED CHARGES		
Prepayments	\$ 24,451.40	\$ 24,217.27
Insurance, automobile licenses, rents, and other ex- penses applicable after close of year.		
Discount on funded debt	138,251.77	88,881.69
Net balance of the discount and expense on bonds in process of amortization		
	<u>\$ 162,703.17</u>	<u>\$ 113,098.96</u>
	<u>\$48,707,624.49</u>	<u>\$43,021,411.23</u>

Liabilities and Shareholders' Equity

SHAREHOLDERS' EQUITY

Dec. 31, 1961 Dec. 31, 1960

Capital stock:

Preferred Stock—cumulative \$100.00 par value;
authorized 100,000 shares, issuable in series:

5% Class A Preferred Stock (redeemable at
\$110.00 a share):

Authorized and outstanding 12,000 shares.. \$ 1,200,000.00 \$ 1,200,000.00

5% Class B Preferred Stock (redeemable at
\$105.00 a share):

Authorized 56,000 shares; outstanding
1961 — 31,145 shares; 1960 — 27,132
shares

3,114,500.00 2,713,200.00

4½% Preferred Stock (redeemable at \$105.00
a share):

Authorized and outstanding 20,000 shares..

2,000,000.00 2,000,000.00

4¼% Preferred Stock (redeemable at \$105.00 a
share):

Authorized and outstanding 12,000 shares..

1,200,000.00 1,200,000.00

Common Stock, \$10.00 par value:

Authorized 70,000 shares; issued and outstanding—
1961—664,803 shares; 1960—526,736 shares..

6,648,030.00 5,267,360.00

Installments paid on capital stock.....

2,508.00 2,748.00

\$14,165,038.00 \$12,383,308.00

Other capital

1,935,339.66 2,951,529.66

Retained income—Note B

5,917,164.93 5,168,733.45

\$22,017,542.59 \$20,503,571.11

FUNDED DEBT

First Mortgage Bonds—Note C:

5⅛% Series, due October 1, 1987 \$ 3,000,000.00 \$ 3,000,000.00

4⅞% Series, due September 1, 1991 3,500,000.00 —0—

4⅞% Series, due December 1, 1988 3,000,000.00 3,000,000.00

3½% Series, due November 1, 1982 1,800,000.00 1,800,000.00

3¼% Series, due August 1, 1965 2,752,000.00 2,752,000.00

2⅞% Series, due November 1, 1980 1,600,000.00 1,600,000.00

\$15,652,000.00 \$12,152,000.00

CURRENT AND ACCRUED LIABILITIES

Notes payable to bank \$ —0— \$ 750,000.00

Accounts payable 895,937.89 838,730.66

Amounts owing for materials, supplies, toll settle-
ments, subscribers excise tax, and miscellaneous
expenses

243,390.09 220,413.33

Subscribers' advance billings and payments

2,488,073.02 2,491,182.66

Taxes accrued

783,928.46 723,962.03

Unmatured interest and dividends

\$ 4,411,329.46 \$ 5,024,288.68

6,626,752.44 5,341,551.44

DEPRECIATION RESERVE

See notes to financial statements.

\$48,707,624.49 \$43,021,411.23

COMPARATIVE STATEMENT OF INCOME NORTHERN OHIO TELEPHONE COMPANY

Years ended December 31, 1961, and December 31, 1960

	1961	1960
OPERATING REVENUES		
Local service revenues	\$ 6,680,979.36	\$ 6,391,338.77
Toll service revenues	4,547,503.84	4,397,285.63
Directory advertising and sales	556,055.12	508,982.91
Miscellaneous revenues	413,907.80	179,987.21
Revenues from private lines, rentals, and miscellaneous services		
Less provision for uncollectible revenues	50,000.00*	36,000.00*
	<u>\$12,148,446.12</u>	<u>\$11,441,594.52</u>
OPERATING EXPENSES		
Current maintenance	\$ 1,320,675.59	\$ 1,316,230.59
Cost of repairs, inspection, and rearrangements required to keep plant and equipment in good operating condition		
Depreciation expense	1,687,471.39	\$ 1,526,294.79
Provision for decrease in value of telephone plant by reason of wear or obsolescence		
This is at the rate of approximately 4% of average investment in depreciable plant in service		
Traffic expenses	1,529,475.74	1,414,079.55
Operators' wages and other costs in handling messages		
Commercial expenses	646,081.28	620,511.40
Costs incurred in business relations with customers, directories, advertising, and pay station commissions		
General office expenses	378,270.07	353,127.44
Cost of preparing subscribers' bills, general accounting, salaries of officers, and legal expenses		
Other operating expenses—Note D	258,595.24	252,964.52
Pensions, insurance, building and pole rentals, and other operating expenses		
TOTAL OPERATING EXPENSES	<u>\$ 5,820,569.31</u>	<u>\$ 5,483,208.29</u>
	<u>\$ 6,327,876.81</u>	<u>\$ 5,958,386.23</u>
OPERATING TAXES		
Federal income taxes	\$ 2,392,458.82	\$ 2,259,009.82
County, state excise, social security, and other taxes.....	1,181,970.24	988,406.69
TOTAL OPERATING TAXES	<u>\$ 3,574,429.06</u>	<u>\$ 3,247,416.51</u>
NET OPERATING INCOME	<u>\$ 2,753,447.75</u>	<u>\$ 2,710,969.72</u>
OTHER INCOME		
	43,238.56	13,517.05
NET INCOME BEFORE FIXED CHARGES.....	<u>\$ 2,796,686.31</u>	<u>\$ 2,724,486.77</u>
FIXED CHARGES		
Interest expense	\$ 587,200.59	\$ 505,955.19
Amortization of discount on funded debt	5,004.60	4,400.16
TOTAL FIXED CHARGES	<u>\$ 592,205.19</u>	<u>\$ 510,355.35</u>
NET INCOME	<u><u>\$ 2,204,481.12</u></u>	<u><u>\$ 2,214,131.42</u></u>

See notes to financial statements.

*Indicates red figure.

STATEMENTS OF OTHER CAPITAL AND RETAINED INCOME NORTHERN OHIO TELEPHONE COMPANY

Year ended December 31, 1961

OTHER CAPITAL

Balance at January 1, 1961	\$2,951,529.66
Excess of market value of 5,695 common shares of the Company issued in connection with the merger with The Wellington Telephone Company, over the par value thereof	307,530.00
	<u>\$3,259,059.66</u>
Less transfer to Common Stock of aggregate par value of 132,372 common shares issued to effect a 25% stock split-up	1,323,720.00
Balance at December 31, 1961	<u>\$1,935,339.66</u>

RETAINED INCOME

Balance at January 1, 1961	\$5,168,733.45
Add net income for the year	2,204,481.12
	<u>\$7,373,214.57</u>

Deduct:

Cash dividends declared:

5% Preferred Stock—\$5.00 a share	\$ 204,408.63	
4½% Preferred Stock—\$4.50 a share	90,007.29	
4¼% Preferred Stock—\$4.25 a share	51,000.00	
Common Stock—\$1.60 a share (adjusted for 25% stock split-up)	1,061,131.60	\$1,406,547.52

Cash paid in lieu of fractional shares resulting from 25% Common Stock split-up	40,613.40
---	-----------

Charges resulting from merger with The Wellington Telephone Company:

Amortization of undistributed cost of property	\$ 8,568.72	
Cash paid in lieu of fractional shares	320.00	8,888.72

Balance at December 31, 1961	<u>\$5,917,164.93</u>
------------------------------------	-----------------------

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS NORTHERN OHIO TELEPHONE COMPANY

December 31, 1961

Note A—Telephone plant in service is stated at amounts fixed by The Public Utilities Commission of Ohio with respect to acquisitions from other companies, and other additions are included at cost as of dates of installation.

Note B—Under the terms of the Eleventh Supplemental Indenture dated September 1, 1961, to The First Mortgage Trust Deed, retained income amounting to \$2,696,147.43 is not restricted in payment of cash dividends on Common Stock.

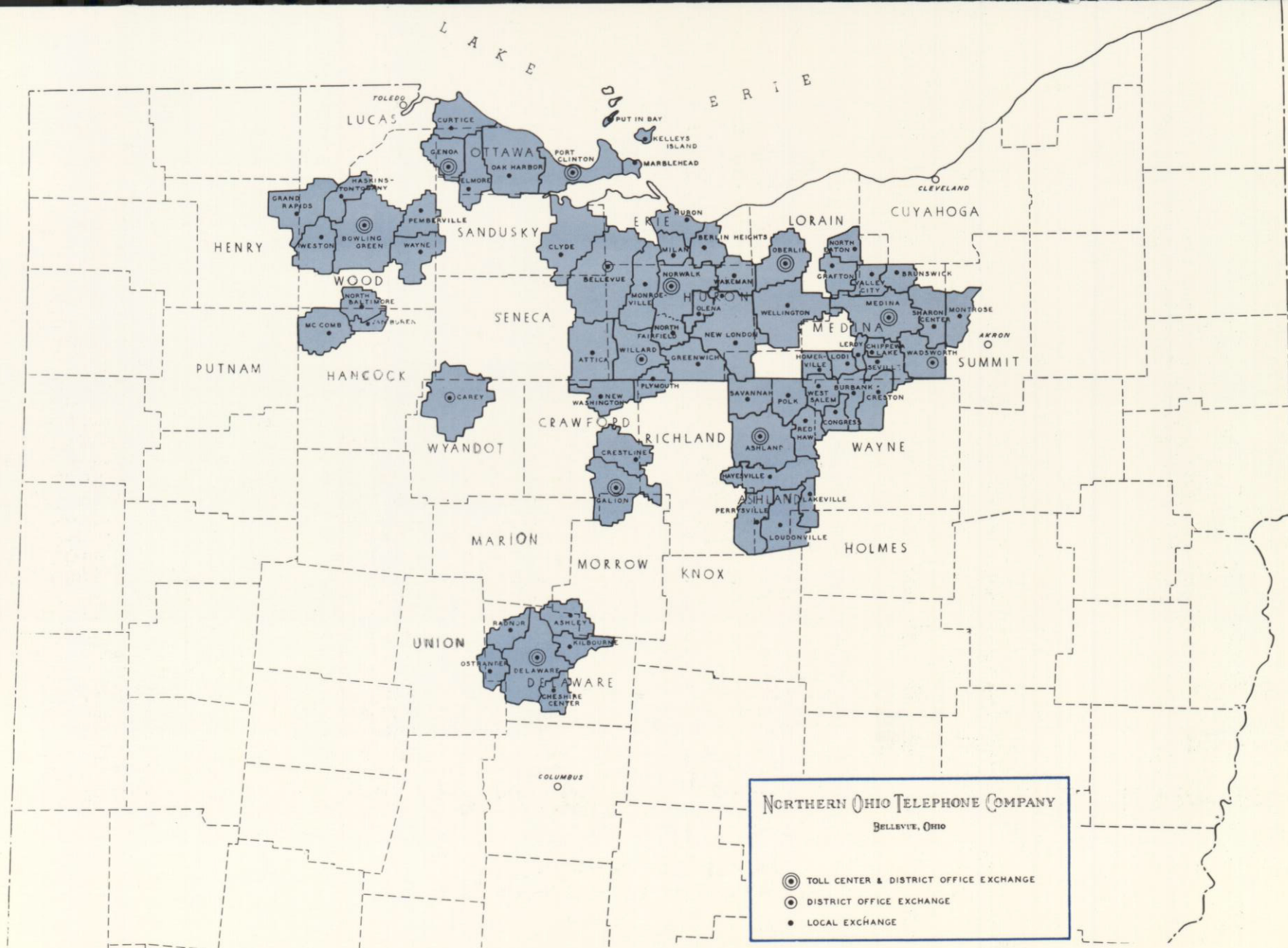
Note C—The First Mortgage Bonds are secured by first mortgage on all telephone plant now owned or hereafter acquired. The Company covenants, while any of such bonds are outstanding, to provide sinking funds by annual payments to the Trustee, in cash or securities, of an amount equal to one per cent of the aggregate principal amount of bonds issued. The Company has the right to substitute 60% of cost or fair value of permanent additions against which additional bonds have not been issued in lieu of cash or securities to meet sinking fund requirements. Sinking fund requirements have been complied with.

Note D—The contribution under the pension plan for employees of the Company amounted to \$142,668.96 for the year 1961, including a portion of past service costs. At December 31, 1961, the estimated unfunded portion of past service costs amounted to approximately \$377,000.00.

EXCHANGES OF NORTHERN OHIO TELEPHONE COMPANY

Company Telephones Jan. 1, 1962		Company Telephone Jan. 1, 1962	
Exchange	Type of Service	Exchange	Type of Service
Ashland	Automatic	Medina	Automatic
Ashley	Automatic	Milan	Automatic
Attica	Automatic	Monroeville	Automatic
Bellevue	Automatic	Montrose	Automatic
Berlin Heights	Automatic	New London	Automatic
Bowling Green	Automatic	New Washington	Automatic
Brunswick	Automatic	North Baltimore	Automatic
Burbank	Automatic	North Eaton	Automatic
Carey	Automatic	Norwalk	Automatic
Cheshire Center	Automatic	Oak Harbor	Automatic
Chippewa Lake	Automatic	Oberlin	Automatic
Clyde	Automatic	Olena	Magneto
Congress	Automatic	Ostrander	Automatic
Crestline	Automatic	Pemberville	Common Battery
Creston	Automatic	Perrysville	Automatic
Curtice	Automatic	Plymouth	Automatic
Delaware	Automatic	Polk	Automatic
Elmore	Automatic	Port Clinton	Automatic
Galion	Automatic	Put-in-Bay	Automatic
Genoa	Automatic	Radnor	Automatic
Grafton	Automatic	Rathbone	Automatic
Grand Rapids	Automatic	Red Haw	Automatic
Greenwich	Automatic	Savannah	Automatic
Haskins-Tontogany	Automatic	Seville	Automatic
Hayesville	Automatic	Sharon Center	Automatic
Homerville	Automatic	Valley City	Automatic
Huron	Automatic	Van Buren	Automatic
Kelleys Island	Automatic	Wadsworth	Automatic
Kilbourne	Automatic	Wakeman	Automatic
Lakeville	Automatic	Wayne	Automatic
Leroy	Automatic	Wellington	Common Battery
Lodi	Automatic	Weston	Automatic
Loudonville	Automatic	West Salem	Automatic
Marblehead	Automatic	Willard	Automatic
McComb	Automatic		

Total Telephones **125,214**





NORTHERN OHIO
TELEPHONE
COMPANY